

PHAAA 132

LARGE-SCALE BEEF CATTLE FINANCING

DEVELOPMENT BANK OF THE PHILIPPINES

Manila

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DEVELOPMENT BANK OF THE PHILIPPINES
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LARGE-SCALE BEEF CATTLE FINANCING

I. THE PROGRAM - OBJECTIVES AND RATIONALE

This is a special DBP program for financing of large-scale livestock enterprises (ranches of 1,000 hectares and above), designed to accelerate the growth rate and upgrade quality of local beef cattle, increase domestic beef supply, and maximize efficacy of credit resources.

The program aims at financing a minimum of 20,000 hectares of ranch and pasture lands every year over a 13-year period (10-year loan repayment term plus three-year grace period). Thus, a total of 260,000 hectares is targetted for development during the period. The quantitative goal, however, is flexible and may be expanded according to initial results, and depending on DBP's future resources.

On the basis of estimated optimum loan requirement of ₱180,900 per 1,000 hectare ranch, the 20,000 hectares to be financed annually will involve total loans of ₱3,618,000 per year. Over the 13-year span, actual loan releases, taking into account time lags, will reach an estimated ₱45,358,000, involving an actual DBP cash outlay of ₱20,068,000 after considering effects of intervening cash inflows from repayments.

With efficient credit supervision, the 260,000 hectares of pasture and ranch land to be covered is expected, after discounting mortality and culling losses, to yield a net addition of 429,000 head of cattle, with an inventory value of ₱201.5 million, over and above the initial foundation herd of 81,910 head. In addition, a total of 176,040 head will be qualified for slaughter during the same period, with a beef equivalent of 40,806 tons, valued in current prices at ₱183.6 million, or an annual average of 3,139 tons valued at ₱14.1 million.

Present annual local demand for beef is estimated at 40,000 tons; local production, 30,000 tons. The balance of the requirement is met through imports.

Long-range projections of local beef demand indicate an annual requirement by 1970 of 54,000 tons of beef, equivalent to 383,000 head of cattle; by 1975 population estimates, 66,000 tons will be needed, equal to 466,000 head. The program envisioned herein, therefore, will contribute to some appreciable extent toward eventual attainment of self-sufficiency in local beef supply.

DBP heretofore has engaged in financing livestock production, with 1,028 accounts involving total loans of ₱23,201,964 extended from 1947 to 1966, covering all types of ranches, from "small" (below 400 hectares) to "medium" (400 to 600 hectares) and "large" (over 600 hectares).

A survey recently conducted for the purpose of evaluating results and operations of DBP-financed cattle-raising projects shows that the beef cattle industry is subject to economies of scale. The following findings, among others, support this conclusion:

1. Calving percentage was 67% on large ranches, 62% on medium ranches and 48% on small ranches.
2. Sales of stock on large ranches average 20 head annually; medium ranches, five head; and small ranches, seven head.

The rate of annual increase in cattle numbers, after deducting stock sales, was 50% on large ranches, 44% on medium ranches and 27% on small ranches.

3. Gross annual returns on large ranches exceeded by 2.7 times those of medium ranches; 4.5 times those of small ranches.

Net profits on large ranches were 4.8 and 6.8 times more than those of medium and small ranches, respectively.

Returns per peso costs were ₱1.60 on large ranches, ₱1.26 on medium ranches and ₱1.33 on small ranches.

4. Labor utilization on large ranches averaged 3.4 man-days per animal unit or 1.5 man-days per hectare of pasture land; on medium ranches, 5.6 man-days per animal unit or 1.8 man-days per hectare; and on small ranches, 5.3 man-days per animal unit or 3.0 man-days per hectare.
5. Large ranches employ full-time services of professional veterinarians and/or animal husbandmen. Small and medium ranches rely largely on visits of government livestock inspectors and on own non-professional services.

From the standpoints of applied technology, labor efficiency, resulting inventory, production costs, and investment returns, therefore, operational results of "large" enterprises far outstrip those of smaller dimensions. Since the problem of deficient local beef supply is aggravated by the fast rate of population increase in the Philippines, the logical solution is one of massive production, and this is attainable only by large-scale ranching operations.

II. THE LARGE-SCALE BEEF CATTLE FINANCING PLAN

A. General Classification of Borrowers

During the initial stages of the Program only borrowers who operate ranches of 1,000 hectares or more shall be considered. This is the level at which maximum impact can be expected, as drawn from results of the DBP survey. A partial list of potential borrowers are presented in Appendix I.

Two types of borrowers may apply:

- a) Those whose present ranch operations are handicapped by inadequate capital for expansion needs; and
- b) Those not yet in the business but are in possession of potential grazing lands, and are able to finance minimum requirements of the Bureau of Forestry.

B. Specific Loan Terms and Requirements

1. Eligible Borrowers

Applicants must have complied with requirements of the Bureau of Forestry, to wit:

- a) Minimum number of animals owned by the applicant and kept on the ranch area at all times shall be one (1) head of large cattle, one year old or over, per every five (5) hectares of pasture land;
- b) Ranch area is wholly fenced; and
- c) At least 10 per cent of pasture area has been developed and planted with improved forage.

2. Amount of Loan

The amount of the loan will be based on actual needs of the project, determined by a project plan and loan budget which shall be jointly prepared and studied by the borrower and a DBP representative.

3. Feasibility Studies

Each application must be accompanied by a project study and proforma budget. These will, after verification, provide the basis for determining amount of loan and purposes for which funds may be allocated, as well as for scheduling of releases.

The study shall include expositions on the technical, financial, management and commercial features of the enterprise. These will be evaluated and analyzed by DBP Staff and may be amended, as necessary, with the knowledge and concurrence of the borrower.

4. Loan Collateral

Fifty per cent (50%) of the loan shall be secured by chattel mortgage on existing stock, on stock to be purchased, and on machinery. The remaining 50% shall be secured by first mortgage on privately-owned titled or untitled real estate properties.

In addition, leasehold rights over the pasture area and improvements thereon shall be assigned in favor of the DBP.

The appraisal value of breeding animals shall be based on current market prices or on the purchase price as shown in the Transfer Certificate of Large Cattle, and the loan value shall be 70 per cent of the appraised value.

The appraised value of machinery and equipment shall be its acquisition or depreciated market value, and the loan value shall be 60 per cent thereof.

Real estate properties shall be appraised in accordance with current bank policies, and the loan value thereof shall be 70 per cent of the appraised value for titled properties and 50 per cent for untitled properties

5. Sources of Breeding Stock

Breeding animals purchased locally shall consist only of upgraded heifers and pure-bred animals; foreign purchases shall be limited to pure-bred animals.

In the case of local purchases, fifty per cent (50%) of funds allocated for this purpose shall be released only after the animals to be purchased have been verified fit for breeding; the balance of fifty per cent (50%)

shall be released only after the animals have been delivered to the ranch area, and a chattel mortgage in favor of DBP has been duly registered.

For foreign purchases, loan funds shall be released only after the animals have been landed and chatteled in favor of DBP.

6. Schedule of Releases

Loan funds shall be released in partial amounts spread over a 33-month period, depending upon the time and amount of actual needs, which shall be in accordance with the project plan and loan budget presented in Appendix III-4.

7. Repayment Schedule

No repayment shall be required, either on principal or interest, during the first three (3) years of the loan counted from date of first release.

All payments on the fourth (4th), fifth (5th), sixth (6th) and seventh (7th) years shall be applied fully toward interests accumulated from the first to the seventh year. Annual amortizations that will include both principal and interest payments shall begin on the eighth (8th) year and continue up to the 13th or last year.

A "Schedule of Repayments" is presented in Appendix III-5.

8. Rate of Interest

The rate of interest shall be nine per cent (9%) per annum for loans up to ₱100,000 and ten per cent (10%) per annum for loans exceeding ₱100,000.00.

9. Other Requirements

All other requirements of the existing DBP Special Livestock Financing Plan (Appendices II, II-A, II-B) not inconsistent with the above terms and conditions shall also be complied with.

C. DBP Technical Assistance and Credit Guidance

A system of credit guidance and project supervision will be implemented by DBP, in coordination with other government agencies.

Technically competent personnel will conduct regular quarterly visits to financed projects, starting from the initial stages following filing of the loan application and until the loan is paid in full. Such visits shall involve the extension of technical assistance and advisory services on matters pertaining to operational planning and budgeting, ranch and herd management, and marketing.

1. DBP Role

DBP will focus its activities during the first three years following the grant of the loan in the following areas:

- a) acceptance of loan application;
- b) project evaluation and appraisal of offered securities;
- c) preparation of the project plan and loan budget, jointly with the borrower;
- d) loan processing; and
- e) loan releases and verification in the use of loan proceeds.

In the succeeding years, Bank activities will involve technical assistance, project supervision and collection of loan payments.

2. Coordinating Agencies

A working agreement will be entered into between DBP and government agencies, primarily the Bureau of Animal Industry and the Cattle Research Institute, whereby the latter will assist in the following functions:

- a) veterinary services;
- b) technical assistance;
- c) training and seminars; and
- d) research and experiments.

D. Priority Area

Priority shall be extended to beef cattle projects in the Cagayan Valley, Mindoro, Masbate, Bohol, Cotabato, Bukidnon and Zamboanga del Norte. This rating is based on soil and climatic factors and the availability of grazing areas and cattle stock.

III. SMALL AND MEDIUM SCALE BEEF CATTLE FINANCING

Ranchers with "small" (400 hectares and below) and "medium" (400-600 hectares) beef cattle enterprises, or who otherwise do not qualify under "Large-Scale" standards, shall be financed under the current DBP Special Livestock Financing Plan, in accordance with terms and conditions defined in:

- a) DBP Board Resolution No. 2616, s. of 1959 granting loans not exceeding ₱25,000.00 to bonafide ranchers (Appendix II).
- b) DBP Board Resolution No. 1924, s. of 1924, s. of 1960, which provides for additional loan of ₱15,000.00 to meritorious borrowers who have availed of the first loan of ₱25,000.00 for the purchase of breeding stock, for pasture improvement and maintenance and for water systems (Appendix II-A) and
- c) DBP Board Resolution No. 499, s. of 1961, which provides for a second additional loan of ₱10,000.00 for the purchase of pure-bred bulls (Appendix II-B).

IV. IMPACT ON DBP

A. Loan Funds and Personnel Requirements

1. Loan Funds

An estimate of cash requirements is presented in the sample prospectus for Costs and Income in the Operation of a 1,000 Hectare Beef Cattle Ranch (Appendix III).

Assuming that 20 borrowers, or 20,000 hectares of pasture lands, will be financed for beef cattle production each fiscal period for the next 13 years, DBP cash requirements are projected as follows:

<u>Year</u>	<u>DBP Loan Releases</u>	<u>Loan Repayments</u>	<u>Net DBP Cash Requirements</u>	<u>DBP Cash Surplus</u>
1967-68	₱ 2,520,000	₱ -	₱ 2,520,000	₱ -
1968-69	3,040,000	-	3,040,000	-
1969-70	3,618,000	-	3,618,000	-
1970-71	3,618,000	400,000	3,218,000	-
1971-72	3,618,000	800,000	2,818,000	-
1972-73	3,618,000	1,200,000	2,418,000	-
1973-74	3,618,000	2,000,000	1,618,000	-
1974-75	3,618,000	2,800,000	818,000	-
1975-76	3,618,000	3,700,000	-	82,000
1976-77	3,618,000	4,600,000	-	982,000
1977-78	3,618,000	5,500,000	-	1,882,000
1978-79	3,618,000	6,500,000	-	2,882,000
1979-80	<u>3,618,000</u>	<u>7,501,447</u>	<u>-</u>	<u>3,883,447</u>
	<u>₱45,358,000</u>		<u>₱20,068,000</u>	

2. Summary of Bank Costs and Returns

For every 20,000 hectares financed annually, DBP disbursements and costs will amount to ₱3,874,672.00. As against receipts of ₱7,507,447.00 over the 13-year period, net returns of ₱3,632,772.00 will be yielded (annual average of ₱279,422.00 over the 13-year period).

Disbursements:

Loan Funds	₱3,618,000.00	
Salaries & Allowances	179,712.00	
Costs of Supervision	<u>76,960.00</u>	₱3,874,672.00

Receipts:

Loan Payments:		
Interest	₱3,883,447.00	
Principal	3,618,000.00	
Inspection Deposits	<u>6,000.00</u>	<u>7,507,447.00</u>
NET RETURNS		<u>₱3,632,775.00</u>

3. Personnel

The priority areas earlier enumerated (II.D.) are within coverage of the Agricultural Department, four (4) Branch Offices and seven (7) Agencies (Appendix IV).

The veterinary personnel of DBP offices in Manila, Ilagan (Isabela), Cagayan de Oro City, General Santos (Cotabato), and Cotabato City include seven (7) veterinarians and two (2) animal husbandmen who draw an aggregate of ₱48,588 in salaries and ₱16,200 in allowances annually.

The program will require the employment of five (5) additional animal technicians for assignment in:

<u>Area of Assignment</u>	<u>No.</u>	<u>Salary</u>	<u>Allowance</u>
Cagayan Valley	1	₱ 4,404	₱ 1,800
Masbate	1	4,404	1,800
Bukidnon	1	4,404	1,800
Bohol	1	4,404	1,800
Zamboanga del Norte	<u>1</u>	<u>4,404</u>	<u>1,800</u>
Total	<u>5</u>	<u>₱22,020</u>	<u>₱ 9,000</u>

Personnel costs will amount to ₱70,608.00 in salaries and ₱25,200.00 in allowances, or a total of ₱95,800.00, during the first year.

Salaries and wages of personnel in succeeding years will include a 5 per cent upward adjustment in salaries. (Appendix V).

4. Projected Personnel Take-up

The present technical force of 9 technicians and 5 new personnel recommended for employment will be sufficient to undertake DBP technical assistance and guidance functions until the 7th year, by which time 140 projects covering 140,000 hectares shall have been financed.

At this point, more personnel will be needed to assist in the processing of new applications and in the continued supervision of earlier projects. A doubling of the initial personnel force will then be necessary, entailing additional salaries and wages estimated at ₱86,856.00 annually beginning from the 8th year of implementation (Appendix V).

. Costs of Supervision

Costs of supervision, consisting of transportation expenses and per diems of personnel, are estimated at ₱74.00 per visit:

Per Diems (4 days @ ₱16.00)	₱64.00
Transportation Expenses	<u>10.00</u>
	<u>₱74.00</u>

Assuming quarterly visits, and on the basis of the above estimates, costs of supervision for each project financed will be ₱296.00 annually.

Projected estimates for costs of supervision for 13 years on the first 20,000 hectares financed will amount to ₱76,960.00; for 260,000 hectares financed during the entire 13-year period, total costs of supervision will be ₱538,720.00 (Appendix V).

V. CONCLUSION

Successful implementation of this Program will lead to expansion and advancement of the local beef cattle industry and will give rise to numerous other economic benefits.

Aside from improving domestic beef supply, the different ramifications of large-scale cattle production, such as fattening, slaughtering, tanning, marketing, and meat processing, will result in activation and development of idle lands, provide more employment opportunities, and give greater impetus for future industry improvements, from mechanized processes to modern refrigeration, storage, and transport facilities. Moreover, considerable foreign exchange savings will be saved from decreased, if not totally eliminated, supplementary beef imports.

APPENDIX I

DEVELOPMENT BANK OF THE PHILIPPINES
Manila

LARGE-SCALE BEEF CATTLE FINANCING

Partial List of Potential Borrowers^{1/}

<u>Name</u>	<u>Location of Project</u>	<u>Pasture Area</u>
Rodrigo David	Occ. Mindoro	1,050 Has.
Consolacion Manzano	Occ. Mindoro	1,080 Has.
Benigno Aquino, Jr.	Masbate	2,000 Has.
Jaime Francisco	Masbate	2,000 Has.
Valerio Brothers	Masbate	1,800 Has.
Francisco Almeda	Masbate	1,300 Has.
Felix Muertigue	Masbate	4,000 Has.
Emilio Espinosa	Masbate	-
Andres Corpuz	Masbate	-
Jose Avelino	Masbate	1,834 Has.
Ricardo Quintos	Masbate	-
Jose Orosa	Masbate	-
Conjuangco Ranch	Masbate	-
Mateo Pecson	Masbate	-
Chiongbian Ranch	Zamboanga del Norte	-
Alcantara Ranch	Cotabato	-
Leopoldo Ducera	Cotabato	1,124 Has.
Fausto Gorzales	Bukidnon	1,500 Has.
Vicente Cabrera	Bukidnon	1,924 Has.
Fortich Ranches	Bukidnon	-
Emmanuel Pelaez	Bukidnon	2,000 Has.
Valeriano Bueno	Bukidnon	11,000 Has.
Enrique Zobel	Bukidnon	5,209 Has.

^{1/} 1,000 Hectares and above

APPENDIX II

LIVESTOCK FINANCING PROJECT

DEVELOPMENT BANK OF THE PHILIPPINES
Manila

April 16, 1959

CIRCULAR NO. 60

Pursuant to Board Resolution No. 2616, dated April 15, 1959, the granting of loans under the Livestock Financing Plan is hereby resumed, effective immediately, subject to the requirements and conditions enumerated in the said Resolution, to wit:

GENERAL REQUIREMENTS:

The applicant should meet the following requirements:

1. The applicant must be a bonafide rancher with experience on-the-ground management and/or farmers with cattle husbandry knowledge and experience capable of managing and supervising cattle farms, own a suitable, well-placed, organized cattle farm with the necessary foundation stock of not less than 10% in number of the total pasturage, water facilities, sheds, corrals, chutes, developed grassland and other cattle ranch facilities which should be free from liens and encumbrances.
2. The grassland may either be a privately-owned land with Torrens Title or Class "A" pasture land of the Bureau of Forestry or Bureau of Lands with 10 years lease agreement duly certified by the Secretary of Agriculture and Natural Resources and further certified by the Director of the Bureau of Animal Industry as to the suitability of the area for commercial pasture purposes and by the Director of Forestry that the land has no squatters or conflicting claimants or interest within the pasture land. Pasture lands shall be considered on the basis of suitability, carrying capacity, improvement and accessibility which involve risk to life and property shall be accepted. Class "B" pasture lands of the Bureau of Forestry may, however, be considered, provided it is located at a regular walking distance of not more than two (2) hours measured from the nearest constructed barrio or municipal road and fulfill conditions of carrying capacity, suitability and accessibility.

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3. No application will be approved unless there is actually in the ranch, substantial improvement and necessary facilities in the form of equal proportion of cattle and improvements, including torril or chutes to be provided by the applicant for his breeding farm in the country or abroad that an adequate number of up-grade cattle of breeding age are available for sale and ready for supply to the borrower.

QUALIFICATIONS OF BORROWERS UNDER THE LIVESTOCK FINANCING PLAN:

1. Applicant should have good moral character, wide experience in cattle husbandry work and are actually engaged in cattle production.
2. They should possess developed pastures, adequate farm help water facilities and the services of experienced cowhands, animal husbandman and/or veterinarian who reside in the farm.
3. That the value of his farm and improvements including cattle has a loan value equal to at least 40% of the amount needed by the project.

LOAN ALLOWABLE:

The loan allowable under this plan should not be in excess of ₱25,000 payable at 9% interest per annum, the payment to begin on the third year. The loan will be released according to the following distribution:

<u>P u r p o s e s</u>	<u>Percentage of Distribution</u>		
1. For breeding cattle	60%	-	₱15,000.00
2. Quarter, sheds, chutes, corrals and other building constructions	10%	-	2,500.00
3. Fencing	15%	-	3,750.00
4. Water system, pasture improvement, purchase of feeds, labor, equip- ment and supplies	<u>15%</u>	-	<u>3,750.00</u>
	<u>100%</u>		<u>₱25,000.00</u>

However, the above rate of distribution may be adjusted according to the circumstances and the needs of the project as verified by the appraisers of the DBP.

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COUNTERPART REQUIREMENT:

The borrower should put up for the counterpart of his loan, his ranch, together with the breeding stock in number equal at least to 10% of the total pasture area and other improvements existing therein, with a loan value equal to at least 40% of the amount needed by the usual procedure of the Bank.

PURPOSE OF THE LOAN:

The loan may be used only for improving the facilities of the farm such as farm buildings, sheds (byres), chutes, corrals, fencing and other building construction; purchase of breeding stock, feeds, equipment and labor, pasture improvements and water system.

The amount allocated for the various purposes enumerated above except that for the purchase of breeding stock shall be released by the DBP upon presentation of affidavits, receipts and/or invoices of the materials used, as well as on payrolls for laborers employed by the borrower. In order to provide the mortgagor with funds to complete at least 50% of items 2, 3 and 4 of the project, an amount not to exceed 50% of the allocation for each item may be released in advance at the discretion of the DBP but in no case should it exceed 50% of the value of existing improvements.

The animals for breeding stock to be purchased by the borrower shall have the previous approval of the Bureau of Animal Industry or the DBP. The borrower shall submit to the DBP a certification of a well-known reliable organized ranch that purebred cattle of breeding age are available for supply. Said animals and those existing in the farm, if any, shall immediately, upon arrival be branded, recorded and covered by a chattel mortgage in favor of the Bank. In no event shall it be construed that animals belonging originally to the borrower or to the immediate member of his family be made the subject of purchase out of the proceeds of the loan. The animals may, however, be allowed for the mortgagor's counterpart without any loan value.

Loans not availed of fully within a period of two (2) years after its approval shall be automatically reduced to the amount actually availed of.

OBLIGATIONS OF THE BORROWER:

In addition to the foregoing, the following obligations shall be performed by the borrower:

1. The mortgagor binds himself to attend and manage personally the development of the farm with the help of experienced cowhands,

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animal husbandman or veterinarian whose name/names, qualifications, experience and contract of service with the mortgagor shall be submitted to the DBP and to comply with the purpose of breeding program and development plan of the ranch as submitted with the application form.

2. All animals for breeding purposes and their offsprings should be registered in his name, but these shall be covered by chattel mortgage in favor of the DBP and branded with the "DBP" and numerical brands.
3. All animals raised by the mortgagor in his stock farm shall be branded and recorded for the purpose of identification. The applicant must have a brand which shall be registered in the municipality where his stock farm is located. Branding shall be done before chattel mortgage. Besides his own brand, he must have two (2) sets of numerical brands.

1-1/2 x 2-1/2 inches; one (1) separate brand for each number from 1, 2, 3, 4, 5, 6, 7, 8, 9, and 0.

4. No animals should be disposed of without inspection and the written consent of the DBP. However, in any emergency where an injured animal has to be disposed of immediately, the carcass should be sold to the highest bidder and the DBP advised thereof accordingly.

The disposition of the injured animal must be with the previous approval and consent of the DBP and if such approval cannot be obtained for lack of time in cases of emergency such as accidents that may cause sudden death of the animals, and affidavit executed by the mortgagor to that effect and attested to by at least two (2) government officials in the community, including barrio teachers, municipal police and minor employees should be submitted to the DBP.

5. All buildings, water system, fences and other improvements on the ranch as well as machinery and equipment shall be mortgaged in favor of the DBP. All insurable buildings must be adequately covered by insurance against fire for at least the corresponding loan value thereof as determined by the Bank.

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6. All taxes shall be paid up-to-date on privately-owned pasture lands or rentals on leased government pasture lands and/or other properties thereon mortgaged with the DBP
7. An up-to-date book of accounts and registry book of birth and death of animals should be kept and should be prepared in standard form in accordance with the instructions of the DBP on the matter and be made available for inspection from time to time by the authorized representative of the DBP. A periodic report of the number and kind of stock in the farm should be submitted with the DBP every other month. To report to the DBP any loss of animals mortgaged within 24 hours after knowledge of said loss, specifying the cause thereon, the identification of the animals lost and such other pertinent information as may be required.
8. The DBP or any of its duly authorized representative shall have access whenever necessary, to the ranch, stock farm, or the premises where the animals are kept.
9. All requirements of the Pasture Law and regulations concerning pasture leases as enforced by the Bureau of Forestry must be complied with.
10. Non-compliance on his part of any of the foregoing obligations shall be sufficient cause for the foreclosure by the DBP of the mortgage over all the animals, improvements and machinery on the ranch and such other security by the borrower in connection with the loan.

Under the same Resolution, the conditions and requirements in the granting of livestock loans as embodied in Board Resolution No. 4838, series of 1954, are hereby modified accordingly and any of the provisions of said Resolution No. 4838, series of 1954, inconsistent therewith shall be considered of no further force and effect.

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SUPPORTING PAPERS REQUIRED TO BE SUBMITTED TOGETHER WITH APPLICATION FOR LOAN:

1. Pasture Lease Agreement for ten (10) years duly certified by the Secretary of Agriculture and Natural Resources;
2. Pasture land area certified by:
 - a) the Director of Forestry that the land is free from squatters and/or conflicting claims or interests within the land; and
 - b) the Director of Animal Industry that the land is suitable for commercial pasture purposes.
3. Classification of the pasture leased area by the Bureau of Forestry;
4. Blueprint plan or survey plan duly certified by the Bureau of Lands and/or Bureau of Forestry;
5. Development plan of the ranch including breeding program and ranch management.
6. Certification of a well-known reliable stock breeding farm for the ready supply of breeding stock;
7. List of animals with the corresponding certificates of ownership;
8. Copy of registration and facsimile of cattle brand;
9. Certificate of the Municipal Treasurer to the effect that the particular area developed for pasture, the animals as well as other improvements thereon are not covered by Tax Declaration in the name of other persons;
10. Certificate of the Provincial Commander of the province where the pasture area is located to the effect that there is satisfactory condition of peace and order in the locality surrounding the pasture area;
11. Copy of the Income Tax Returns for the year proceeding the approval of loan under the Livestock Financing Plan;

LIVESTOCK FINANCING PROJECT

12. Receipt of rental and/or tax receipts for the current and previous four (4) years or in lieu thereof, a certification from the Municipal Treasurer concerned to the effect that all said taxes have been fully paid;
13. Photo of applicant (2 copies) size 2" x 2" with his signature affixed on it;
14. If the land is privately-owned, aside from Items Nos. 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, and 13, the following should be submitted:
 1. Certificate of Title; and
 2. Tax Declaration.

For private untitled properties, please see DBP Circular No. 233 and 8, series of 1950 and 1953, respectively.

APPENDIX II-A

DEVELOPMENT BANK OF THE PHILIPPINES
Manila

BOARD RESOLUTION NO. 1624, DATED MARCH 16, 1960

In meritorious cases the amount of ₱25,000.00 loan granted under the Special Livestock Financing be extended to such an amount, but not exceeding ₱40,000.00, under the following special conditions:

1. That the ₱25,000.00 original loan granted under the Special Livestock Financing Plan has been fully availed of within the prescribed limit of time as set forth in the original loan;
2. That upon verification of the farm, all the conditions specified in the Deed of Assignment executed in favor of the Bank must have been fully complied with; and that the farm is on the basis of satisfactory operation and is on a going concern;
3. That the appraised value of all the improvements and cattle existing in the ranch if covered by Lease Agreement (if covered by Torrens Title value of the ranch should be included) is at least equal to the sum of the original loan plus the value of the counterpart;
4. That the borrower should put up another counterpart which is at least equal to 40% of the amount needed for the full development of the pasture land;
5. That the area of the pasture is not less than 500 hectares;
6. That additional loan not exceeding ₱15,000.00 be given for the purchase of more breeding purebred stock, pasture improvement, pasture maintenance and water system; and
7. That the repayment of the additional loan shall be within the unexpired period of the original loan.

DEVELOPMENT BANK OF THE PHILIPPINES
Manila

BOARD RESOLUTION NO. 499, DATED JANUARY 25, 1961, AS IMPLEMENTED
BY CIRCULAR NO. 146, DATED MARCH 8, 1961.

Special additional loan to borrowers under the livestock financing plan -

A special loan of not more than ₱10,000.00 be given as additional loan to the Bank's livestock borrowers for the purchase of certified pure-bred bull to be used in the cross-breeding and up-grading of their present herd, which additional loan may be granted even if the borrower has availed of the ₱40,000.00 maximum loan under the present special livestock plan, provided that the additional loan to be given is amply secured; the granting of such loan will be on a highly selective basis to insure the success of the project, subject to the following conditions:

- 1) That the borrower has shown success in the initial operation of the ranch and has adequate facilities for the maintenance of pure-bred stock;
- 2) That the borrower is actually engaged in a pasture development program;
- 3) That there should be a comprehensive breeding program and pasture development plan for a stock of at least 100 cows;
- 4) That all the undesirable bulls in the herd be culled and castrated;
- 5) That the borrower has the technical experience in study farming;
- 6) That the additional loan to be granted shall be within the loan value of the existing stock and improvements in the ranch on the basis of 60% of the appraised value of the animal stock, buildings, fences, equipments and other permanent improvements;

APPENDIX II-B

- 7) That the pure-bred bulls to be purchased would be so certified by competent authorities;**
- 8) That only one breed of bull will be used to sire the herd of a borrower in order that the breeding program will not become complicated in the future; and**
- 9) That the proportion of the bulls to the cows would be at the rate of 1 bull to every 25 cows.**

**DEVELOPMENT BANK OF THE PHILIPPINES
Manila**

APPENDIX III

**PROSPECTUS FOR A 1,000 HECTARE BEEF CATTLE
ENTERPRISE WITH A LOAN OF ₱180,900.00**

BASIC ASSUMPTIONS:

1. That the beef cattle enterprise will be conducted on 1,000 hectares of pasture land and that he has fully complied with requirements of the Bureau of Forestry;
2. That the borrower is granted a loan of ₱180,000.00 which is allocated to various purposes which contribute to the productivity of the project;
3. Percentage of calf drop - 70%
4. Sex ratio - 50:50
5. Mortality:
 - Calf - 5% yearly
 - Cows - 5% yearly
6. Percentage of culling:
 - Steers - all culled and sold at 3 years of age
 - Cows - 10% annually for cows before 10 years of age and 20% annually thereafter
7. Average weight of culls for sale:
 - Steers - 350 kilograms per head
 - Cows - 300 kilograms per head
 - Bulls - 700 kilograms per head

DEVELOPMENT BANK OF THE PHILIPPINES
M a n i l a

APPENDIX III-1

PROJECTIONS IN STOCK POPULATION, SALES AND MORTALITY BY YEAR

Years	Stock on Hand		O f f s p r i n g						S a l e s			M o r t a l i t y		Stock on Hand (End of Year)
			Calves		Yearlings		Two-Year Olds		Steers	Culled		Calves	Cows	
	Bulls	Cows	Male	Female	Male	Female	Male	Female	3-Year Olds	Cows	Bulls			
1	15	300 ^{1/}	105	105										
2	15	265	92	93	100	100						10	6	480
3	15	234	82	82	87	88	95	95				20	5	614
4	14	296	103	104	78	78	83	84	90			26	5	724
5	19	341	119	120	98	99	74	74	79		1	26	6	778
6	20	369	129	129	113	114	93	94	70			30	8	872
7	20	415	145	145	123	123	107	108	88			34	6	984
8	19	470	164	165	138	138	117	117	102			36	8	1102
9	20	527	184	185	156	157	131	131	111		1	42	9	1231
10	20	577	202	202	175	176	148	149	124			48	10	1369
11	26	651	228	228	192	192	166	167	141			52	12	1519
12	25	725	253	254	217	217	182	182	158		1	58	14	1706
13	24	804	281	282	240	241	206	206	173		1	48	15	1912
												42	17	2135

^{1/} foundation herd consisting of 200 cows from the borrowers' equity and 100 cows purchased with loan funds.

DEVELOPMENT BANK OF THE PHILIPPINES
M a n i l a

APPENDIX III-2

SUMMARY OF ANNUAL SALES FOR A 1,000 HECTARE BEEF CATTLE PROJECT

<u>Years</u>	<u>Steers^{1/}</u>	<u>Value</u>	<u>Cows^{2/}</u>	<u>Value</u>	<u>Bulls^{3/}</u>	<u>Value</u>	<u>Total No.</u>	<u>Total Sales</u>
1st	-	₱ -	29	₱ 13,050	-	₱ -	29	₱ 13,050
2nd	-	-	29	11,700	-	-	26	11,700
3rd	-	-	23	10,350	-	-	23	10,350
4th	90	53,550	29	13,050	1	1,190	120	67,790
5th	79	47,005	34	15,300	-	-	113	62,305
6th	70	41,650	37	16,650	-	-	107	58,300
7th	88	52,360	40	18,000	-	-	128	70,360
8th	102	60,690	45	20,250	1	1,190	148	82,130
9th	111	66,045	64	28,800	-	-	175	94,845
10th	124	73,780	66	29,700	-	-	190	103,480
11th	141	83,895	71	31,950	1	1,190	213	117,035
12th	158	94,010	79	35,550	1	1,190	238	130,750
13th	<u>173</u>	<u>102,935</u>	<u>89</u>	<u>40,050</u>	<u>1</u>	<u>1,190</u>	<u>263</u>	<u>144,175</u>
Total	<u>1,136</u>	<u>₱675,920</u>	<u>632</u>	<u>₱284,400</u>	<u>5</u>	<u>₱5,950</u>	<u>1,773</u>	<u>₱966,270</u>

^{1/} 350 kgm. each at ₱1.70/kgm. liveweight or ₱595.00/hd.

^{2/} 300 kgm. each at ₱1.50/kgm. liveweight or ₱450.00/hd.

^{3/} 700 kgm. each at ₱1.70/kgm. liveweight or ₱1,190.00/hd.

DEVELOPMENT BANK OF THE PHILIPPINES
Manila

APPENDIX III-3

SUMMARY OF COSTS & RETURNS FOR A 1,000 HECTARE RANCH

<u>Year</u>	<u>Sources of Funds</u>		<u>Operational Expenses</u>	<u>Amortization on Loan</u>	<u>Net Returns</u>
	<u>Sales Income</u>	<u>Loan Funds</u>			
1967-68	₱ 13,050	₱126,000	₱126,000 ^{2/}	₱ -	₱ 13,050
1968-69	11,700	26,000	26,000 ^{2/}	-	11,700
1969-70	10,350	28,900	28,900 ^{2/}	-	10,350
1970-71	67,790	-	38,300	20,000	9,490
1971-72	62,305	-	39,800	20,000	2,505
1972-73	58,300	-	35,000	20,000	3,300
1973-74	70,360	-	27,500	40,000	2,860
1974-75	82,130	-	29,500	40,000	12,630
1975-76	94,845	-	36,000	45,000	13,845
1976-77	103,480	-	49,500	45,000	8,980
1977-78	117,035	-	50,640	45,000	21,395
1978-79	130,750	-	61,140	50,000	19,610
1979-80	144,175	-	48,640	50,072.35	45,462.65
Total	<u>₱966,270</u>	<u>₱180,900</u>	<u>₱596,920</u>	<u>₱375,072.35</u>	<u>₱175,177.65</u>

^{1/} income from sales of steers and culls

^{2/} from loan funds

DEVELOPMENT BANK OF THE PHILIPPINES
M a n i l a

APPENDIX III-4

SCHEDULE OF LOAN RELEASES^{1/}

<u>PURPOSES</u>	<u>PERCENTAGE DISTRIBUTION</u>			
	<u>1st Year</u>	<u>2nd Year</u>	<u>3rd Year</u>	<u>Total</u>
Breeding Stock	27.6%	-%	-%	27.6%
Work Animals	1.1	-	-	1.1
Machinery	16.6	-	-	16.6
Fuel and Oil	0.8	0.8	0.8	1.5
Buildings and Sheds	3.9	-	-	3.9
Fencing	3.9	-	-	3.9
Pasture Improvement	5.5	4.2	4.2	13.8
Pasture Aids	0.8	-	-	0.8
Supplies	1.4	1.4	1.6	4.4
Salaries and Wages	6.0	6.0	7.7	19.7
Rentals	0.3	0.3	0.4	1.0
Repairs and Maintenance	0.2	0.2	0.2	0.6
Contingencies	<u>1.3</u>	<u>1.4</u>	<u>1.4</u>	<u>4.1</u>
T O T A L	<u>69.4%</u>	<u>14.3%</u>	<u>16.3%</u>	<u>100.0%</u>

DEVELOPMENT BANK OF THE PHILIPPINES
M a n i l a

APPENDIX III-5

SCHEDULE OF PAYMENTS FOR A LOAN OF
₱180,900.00 FOR A 1,000 HECTARE RANCH

<u>Year</u>	<u>Payments</u>	<u>Interest Due</u>	<u>Payment on Interest</u>	<u>Balance of Interest</u>	<u>Principal Due</u>	<u>Payment on Principal</u>	<u>Balance of Principal</u>
1st		₱12,600.00		₱12,600.00	₱126,000.00		₱126,000.00
2nd		15,200.00		27,800.00	152,000.00		152,000.00
3rd		18,090.00		45,890.00	180,900.00		180,900.00
4th	₱ 20,000.00	18,090.00	₱ 20,000.00	43,890.00	180,900.00		180,900.00
5th	20,000.00	18,090.00	20,000.00	41,980.00	180,900.00		180,900.00
6th	20,000.00	18,090.00	20,000.00	40,070.00	180,900.00		180,900.00
7th	40,000.00	18,090.00	40,000.00	18,160.00	180,900.00		180,900.00
8th	40,000.00	18,090.00	36,250.00	-	180,900.00	₱ 3,750.00	177,150.00
9th	45,000.00	17,715.00	17,715.00	-	177,150.00	27,285.00	149,865.00
10th	45,000.00	14,986.50	14,986.50	-	149,865.00	30,013.50	119,851.50
11th	45,000.00	11,985.15	11,985.15	-	119,851.50	33,014.85	86,836.65
12th	50,000.00	8,683.67	8,683.67	-	86,836.65	41,316.33	45,520.32
13th	50,072.35	4,552.03	4,552.03	-	45,520.32	45,520.32	-
<u>Total ₱375,072.35</u>			<u>₱194,172.35</u>			<u>₱180,900.00</u>	

APPENDIX IV

DEVELOPMENT BANK OF THE PHILIPPINES
M a n i l a

DBP COVERAGE OF DESIGNATED PRIORITY AREAS

PRIORITY AREA	D. B. P. COVERAGE	
	Branch Office	Agency
1. Cagayan Valley	Iligan	Tuguegarao Bayombong
2. Mindoro	Calapan	
3. Masbate	Legaspi	Masbate
4. Bukidnon	Cagayan de Oro	Malaybalay
5. Cotabao	Gen. Santos Cotabato City	Marbel Kidapawan
6. Bohol	Cebu	Tagbilaran
7. Zamboanga del Norte	Ozamís City	Dipolog

APPENDIX V

DEVELOPMENT BANK OF THE PHILIPPINES
M a n i l a

ESTIMATES OF PERSONNEL SALARIES AND ALLOWANCES
ADD COSTS OF SUPERVISION BY YEAR

<u>Year</u>	<u>No. of Personnel</u>	<u>Salaries and Allowances</u>			<u>Cost of Supervision</u>	<u>T o t a l</u>
		<u>Salaries^{1/}</u>	<u>Allowance</u>	<u>T o t a l</u>		
1967-68	14	₱ 70,608	₱ 25,200	₱ 95,808	₱ 5,920	₱ 101,728
1968-69	14	74,118	25,200	99,318	11,840	111,158
1969-70	14	77,824	25,200	103,024	17,760	120,784
1970-71	14	81,715	25,200	106,015	23,680	130,595
1971-72	14	85,801	25,200	111,001	29,600	140,601
1972-73	14	90,091	25,200	115,291	35,520	151,811
1973-74	14	94,596	25,200	119,796	41,440	161,236
1974-75	28	186,132	50,400	236,582	47,360	283,942
1975-76	28	195,491	50,400	245,891	53,280	299,171
1976-77	28	205,226	50,400	255,626	59,200	314,826
1977-78	28	215,529	50,400	265,929	65,120	331,149
1978-79	28	226,305	50,400	276,705	71,040*	347,745
1979-80	28	237,620	50,400	<u>288,020</u>	<u>76,960</u>	<u>364,980</u>
T O T A L				<u>₱2,319,906</u>	<u>₱538,720</u>	<u>₱2,858,626</u>

^{1/} includes a 5% upward adjustment in salaries per annum

DEVELOPMENT BANK OF THE PHILIPPINES
M a n i l a

NUMBER AND AMOUNT OF LIVESTOCK LOANS
APPROVED BY YEAR, 1947-66

SPECIAL FINANCING		STRAIGHT		T O T A L	
No.	Amount	No.	Amount	No.	Amount
1947-58	368 ₱10,061,200.00	171	₱ 2,301,669.00	539	₱12,362,869.
1958-59	71 1,484,800.00	19	397,300.00	90	1,882,100.
1959-60	20 316,875.00	14	86,300.00	34	403,175.
1960-61	30 628,250.00	42	1,322,180.00	72	1,950,430.
1961-62	27 670,800.00	18	666,090.00	45	1,336,890.
1962-63	22 376,100.00	32	254,810.00	54	630,910.
1963-64	33 527,700.00	47	1,449,840.00	80	1,977,540.
1964-65	25 348,600.00	38	1,386,400.00	63	1,735,000.
1965-66	23 412,700.00	28	510,350.00	51	923,050.
T O T A L	<u>619</u> <u>₱14,827,025.00</u>	<u>409</u>	<u>₱ 8,374,939.00</u>	<u>1028</u>	<u>₱23,201,964.</u>

APPENDIX VII

DEVELOPMENT BANK OF THE PHILIPPINES
M a n i l a

COMPARATIVE PERFORMANCE IN THE OPERATIONS OF SMALL,
MEDIUM AND LARGE RANCHES

	<u>SMALL RANCHES</u>	<u>MEDIUM RANCHES</u>	<u>LARGE RANCHES</u>
SIZE OF BUSINESS			
Area of Pastures	200 Has.	509 Has.	996 Has.
Size of Herd (animal units)	114 units	166 units	453 units
	i n p e r c e n t		
TECHNICAL ASPECT			
Veterinary Services:			
Private Veterinarian	-	5.0	16.0
Gov't Veterinarian	50.0	70.0	64.0
Owner Serviced -			
Professional	-	11.0	12.0
Non-Professional	50.0	14.0	8.0
MANAGEMENT ASPECT			
Improvement of Pastures	18.0	43.0	44.0
Rotation of Pastures	-	48.0	60.0
Separation of Herds	-	12.0	40.0
LABOR ASPECT			
No. of man-days/ranch	607	931	1538
No. of man-days/animal unit	5.3	5.6	3.4
Labor expense/ranch	₱ 1,723.00	₱ 2,295.00	₱ 5,210.00
Labor expense/animal unit	₱ 15.38	₱ 13.81	₱ 11.53
COST & RETURNS			
Gross Returns	₱ 4,468.00	₱ 7,580.00	₱ 20,097.00
Total Costs	₱ 3,354.00	₱ 6,022.00	₱ 12,573.00
Net Profits	₱ 1,114.00	₱ 1,558.00	₱ 7,524.00
Returns per peso costs	₱ 1.33	₱ 1.26	₱ 1.60
SIZE OF LOAN	₱ 11,410.00	₱ 23,051.00	₱ 32,538.00

24
May 4, 1967

Mr. Lee Poy Paramore
American Embassy
Manila

Dear Mr. Paramore:

We are pleased to inform you that the Development Bank of the Philippines has recently approved a program for Beef Cattle Financing which is designed to accelerate the growth rate and upgrade the quality of local beef cattle. A brochure of the program is hereby enclosed for your information.

For the successful implementation of this program, an expansion of the base herd of available female animals for breeding is necessary and this can be made through the introduction of more animals by importation. In this regard, we would like to inquire on the possibility of importing Zebu heifers and cows from India with the assistance from the U. S. Agency for International Development.

We propose a scheme whereby:

1. Heifers will be purchased in India with the help of US-AID using their surplus of Indian rupees.
2. Heifers will be artificially inseminated in India, before transport to the Philippines, with semen from prize bulls of the American Brahman (beef) and Holstein Friesian (dairy) breeds. Only fertilized heifers will be accepted for transport to the Philippines; infertile heifers will not be purchased.
3. Upon arrival in the Philippines, the pregnant heifers will be sold/dispersed on long-term basis to bona-fide ranchers, through a scheme implemented by the DBP in connection with its "Large Scale Beef Cattle Financing Plan."
4. Payments to US-AID shall be in pesos, on a long term basis. Such pesos shall be remitted by the DBP as they are received from livestock producers in repayments of their loans.

Request for US-AID assistance for the importation of cattle from India

- 2 -

If you should find it necessary to form a working group to discuss this matter further, we shall be very glad to send our representatives to work with you.

Very truly yours,

G. S. LICAROS
Chairman

Encl.



May 4, 1967

Mr. Lee Roy Paramore
American Embassy
Manila

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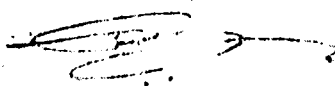
Request for US-AID assistance for the importation of cattle from India

- 2 -

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Very truly yours,

G. S. LICAROS
Chairman



Encl.